

TEACHERS' RETIREMENT BOARD
BENEFITS AND SERVICES COMMITTEE

SUBJECT: Adoption of Rates for 2002-03
Employer Contribution Rate for the
Reduced Workload Program

ITEM NUMBER: 4c

ATTACHMENT(S): 1

ACTION: X

MEETING DATE: May 2, 2002

INFORMATION:

PRESENTER: Rick Reed

SUMMARY

The "Employer Contribution Rate for Reduced Workload Program" is used to charge the employer for the service credit granted to a member who is a participant in the Reduced Workload Program. Under this program, the member receives a full year of service credit, even though the member has reduced his or her workload from full-time to part-time.

The member contributes the amount that he or she would have contributed if employed full-time. The employer contributes an amount based upon the salary the member would have been paid if employed full-time in the position during that year. For the period during which the member is not required to work to receive service credit, the employer is required to contribute at the Employer Contribution Rate for Reduced Workload Program as specified by the Teachers' Retirement Board (Board) under the provisions of Section 22713 of the Education Code.

Previously, the Employer Contribution Rate for the Reduced Workload Program was based on the Total Cost Rate, as identified in the most recent actuarial valuation. This was done to reflect the higher cost of crediting service at ages near retirement because the member must be 55 years of age to participate in this program. In 1998, the Board adopted the Consulting Actuary's recommendation to charge the regular 8.25 percent employer contribution rate, which in previous years, when combined with the member contributions, was sufficient to cover the costs of this benefit.

At the May 3, 2001 Benefits and Services Committee meeting the Board adopted the staff recommendation to adopt a policy to establish the Employer Contribution Rate for the Reduced Workload Program as the greater of (1) the Employer Contribution Rate of 8.25 percent and (2) the Normal Cost Rate less the Employee Contribution Rate for service credit granted under the Reduced Workload Program.

The Actuarial Valuation of the California State Teachers' Retirement System Defined Benefit Program as of June 30, 2001 is to be presented to the Board at the May 2002 Regular Meeting following the Benefits and Services Committee Meeting. The Normal Cost Rate as of June 30, 2001 is equal to 16.497 percent of member payroll.

Subtracting the 8.00 percent member contribution rate from the Normal Cost Rate would result in an employer contribution rate of 8.497 percent for the Reduced Workload Program. This is greater than the 8.25 percent employer contribution rate for creditable compensation specified in Sections 22950 and 22951 of the Education Code that employer's pay when members are performing their normal duties. Therefore, the Employer Contribution Rate for the Reduced Workload Program would be 8.497 percent. This will result in an increase from the rate of 8.423 percent adopted for the 2001-02 fiscal year.

RECOMMENDATION

The staff recommends that the Benefits and Services Committee recommend to the Teachers' Retirement Board that the Board adopt an Employer Contribution Rate of 8.497 percent for service credit granted under the Reduced Workload Program during the 2002-2003 fiscal year, contingent upon the adoption by the Board of the Actuarial Valuation as of June 30, 2001.

PROPOSED
RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD
BENEFITS AND SERVICES COMMITTEE

SUBJECT: Adoption of Employer Contribution
Rate for Reduced Workload Program
for the 2002-2003 Year

RESOLUTION NO. ____

WHEREAS, the Teachers' Retirement Law requires that the Teachers' Retirement Board adopt the Employer Contribution Rate for the Reduced Workload Program, and

WHEREAS, the Teachers' Retirement Board adopted a policy on May 3, 2001, to charge the greater of (1) the Employer Contribution Rate of 8.25 percent and (2) the Normal Cost Rate less the Employee Contribution Rate for participation in the Reduced Workload; therefore, be it

RESOLVED that the Benefits and Services Committee recommend that the Teachers' Retirement Board adopt the Employer Contribution Rate of 8.497 percent, which is the Normal Cost Rate less the Employee Contribution Rate of eight percent for participation in the Reduced Workload Program during the 2002-2003 fiscal year, contingent upon the adoption by the Board of the Actuarial Valuation as of June 30, 2001.

Adopted by:
Benefits and Services Committee

Ratified by:
Teachers' Retirement Board

on May 2, 2002

JACK EHNES
Chief Executive Officer